

## Message Text

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ORIGIN EUR-12

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DRAFTED BY EUR/NE: NLACHILLES  
APPROVED BY EB:JKATZ  
EUR - RDVINE  
EB - JBILLER

-----290538Z 105298 /21  
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FM SECSTATE WASHDC  
TO AMEMBASSY LONDON PRIORITY

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E.O. 11652:

TAGS: EAIR, UK

SUBJECT: US-UK CIVIL AVIATION TALKS - US AIDE MEMOIRE

1. EB ASSISTANT SECRETARY KATZ, ACCOMPANIED BY EUR DEPUTY ASSISTANT SECRETARY VINE, CALLED IN BRITISH CHARGE (MORETON) JANUARY 27 TO PRESENT AIDE MEMOIRE RESPONDING TO AIDE MEMOIRE LEFT BY BRITISH AMBASSADOR WITH FORMER DEPUTY SECRETARY ROBINSON ON JANUARY 7 (AIR POUCHED). KATZ EMPHASIZED THAT WHILE THE US REMAINS READY TO NEGOTIATE ADJUSTMENTS IN PRESENT US-UK AVIATION RELATIONSHIP, UK'S RENEGOTIATION PAPER 12 CANNOT BE A BASIS FOR THOSE NEGOTIATIONS. US HAS PROBLEMS WITH BRITISH DEMANDS, AS CURRENTLY FORMULATED, BOTH ON BASIS OF PRINCIPLE (REDRESSING OF IMBALANCE IN BENEFITS WOULD BE ACCOMPLISHED THROUGH RESTRICTION OF GROWTH RATHER THAN EXPANSION) AND AS RESULT OF PRACTICAL DIFFICULTIES FOR US AIRLINES CHANGES WOULD CREATE.

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KATZ SAID, THOSE HANDLING NEGOTIATIONS FOR THE UK TO DATE HAVE LOOKED AT THEM FROM TOO NARROW A PERSPECTIVE. IF THE UK, LIKE AN EAST EUROPEAN COUNTRY, WISHES A SECTORAL BALANCE IN EACH SEGMENT OF THE US-UK ECONOMIC RELATIONSHIP THEN THE NATURE OF THE OVERALL RELATIONSHIP BETWEEN THE US AND UK MUST CHANGE. FOR THESE REASONS, KATZ SAID, THE US HAD POSTPONED THE JANUARY TALKS TO ALLOW THE BRITISH GOVERN-

MENT TIME TO STEP BACK AND REGARD ITS POSITION IN THE

CONTEXT OF THE LARGER US-UK RELATIONSHIP.

2. MORETON CLAIMED TO BE DEEPLY DISTURBED BY THE AIDE MEMOIRE. THE AIDE MEMOIRE AND FORMER DEPUTY SECRETARY ROBINSON'S EARLIER REMARKS APPEAR TO QUESTION THE PARAMETERS OF THE NEGOTIATIONS AND TO ATTEMPT TO PLACE THE TALKS IN A "DIFFERENT CONTEXT," A CHANGE THE UK WILL NOT ACCEPT. HE PRESSED FOR US NEGOTIATING PROPOSALS IF THOSE FROM THE UK WERE NOT ACCEPTABLE.

3. MORETON SAID THAT HMG WILL AGREE TO A TWO WEEK NEGOTIATING SESSION BEGINNING FEBRUARY 28 IN LONDON WITH THE UNDERSTANDING THAT CONSIDERATION WILL BE GIVEN TO ADDING AN ADDITIONAL WEEK TO THE MEETINGS. DEPUTY ASSISTANT SECRETARY BILLER AGREED TO DISCUSS THE WEST COAST CAPACITY QUESTION AT THE FEBRUARY SESSION.

4. TEXT OF AIDE MEMOIRE FOLLOWS: QTE: THE BRITISH GOVERNMENT HAS EXPRESSED CONCERN OVER THE DECISION OF THE UNITED STATES GOVERNMENT TO POSTPONE THE NEXT ROUND OF AVIATION NEGOTIATIONS FROM JANUARY 17 TO FEBRUARY 28 AND HAS URGED THAT, IF THE TALKS ARE NOT HELD ON JANUARY 17, THEY BE MOVED UP FROM FEBRUARY 28. IN MAKING THIS REQUEST, THE BRITISH AUTHORITIES MAY HAVE MISINTERPRETED THE REASONS UNDERLYING THE UNITED STATES GOVERNMENT DECISION.

THE UNITED STATES HAS BEEN AWARE SINCE LAST JULY OF THE LIMITED OFFICIAL USE

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GENERAL OBJECTIVES THE UNITED KINGDOM SEEKS IN A NEW AIR TRANSPORT AGREEMENT. DURING THE ENSUING PERIOD, THE UNITED STATES HAS AT NO TIME INDICATED ACCEPTANCE OF THESE OBJECTIVES AS A BASIS FOR NEGOTIATION. THE SCHEDULE OF MEETINGS AGREED UPON IN EARLY SEPTEMBER WAS ENVISAGED BY THE UNITED STATES AS PROVIDING AN OPPORTUNITY FOR THE TWO SIDES TO EXAMINE THE ISSUES RAISED BY THE UNITED KINGDOM--WHICH ARE, IN EFFECT, THE BASIC ISSUES INVOLVED IN INTERNATIONAL AIR TRANSPORTATION--IN AS OBJECTIVE A MANNER AS POSSIBLE IN THE HOPE THAT THIS EXAMINATION WOULD ESTABLISH PARAMETERS WITHIN WHICH PRODUCTIVE NEGOTIATIONS COULD TAKE PLACE. THE UNITED STATES BELIEVED THAT THIS PROCESS, IN THE LONG RUN, WOULD EXPEDITE THE NEGOTIATIONS AND PERMIT A SUCCESSFUL CONCLUSION BY JUNE 22, 1977.

THE DISCUSSIONS IN EARLY DECEMBER UNFORTUNATELY FAILED TO NARROW THE GAP BETWEEN THE POSITIONS OF THE TWO SIDES. INDEED, AT THE VERY CLOSE OF THE DISCUSSIONS, THE UNITED KINGDOM PRESENTED A PAPER (UK RENEGOTIATION 12) WHICH,

WHILE PURPORTING TO ADDRESS TRANSITIONAL ARRANGEMENTS, WAS

IN REALITY A REAFFIRMATION AND A MORE DETAILED ELABORATION OF THE GENERAL UNITED KINGDOM NEGOTIATING OBJECTIVES SET FORTH ORIGINALLY IN JULY.

THE UNITED STATES GOVERNMENT FORESEES NO POSSIBILITY OF REACHING AGREEMENT BASED ON THAT UNITED KINGDOM POSITION. WHILE IT ASSUMES THAT THE UNITED KINGDOM IS PREPARED TO MAKE CONCESSIONS FROM THAT POSITION IN THE NORMAL NEGOTIATING MANNER, THE POSITION AS PRESENTED IS SO EXTREME THAT, AS PREVIOUSLY STATED, IT CANNOT BE AN ACCEPTABLE BASIS FOR NEGOTIATION.

THE UNITED KINGDOM POSITION IS ECONOMICALLY UNACCEPTABLE, LIMITED OFFICIAL USE

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IT WOULD, IN EACH OF THE FACTORS UNDERLYING ECONOMIC ACTIVITY (EXCEPT POSSIBLY PRICING), LEAVE THE INTERNATIONAL AIR TRANSPORT SYSTEM VIRTUALLY WITHOUT ANY OF THE COMPETITIVE ELEMENTS NECESSARY TO MAINTAIN REASONABLE SYSTEM EFFICIENCY. WHILE THE UNITED STATES DOES NOT ASSERT THAT UNLIMITED COMPETITION IS ESSENTIAL IN INTERNATIONAL AIR TRANSPORT, IT DOES BELIEVE THAT SYSTEM EFFICIENCY IS IMPORTANT TO LARGER ECONOMIC INTERESTS AND THAT IT IS POSSIBLE ONLY IN AN ADEQUATELY COMPETITIVE ENVIRONMENT.

EQUALLY IMPORTANT, THE UNITED KINGDOM POSITION IS POLITICALLY UNACCEPTABLE. THE UNITED STATES HAS BEEN ENGAGED IN A PROCESS OF PARTICIPATING ON A GOVERNMENTAL BASIS IN EFFORTS TO BOLSTER THE BRITISH ECONOMY, A PROCESS WHICH SERVES THE BROADER MUTUAL INTERESTS OF BOTH COUNTRIES. THE UNITED STATES GOVERNMENT BELIEVES THAT THE CURRENT AVIATION NEGOTIATIONS BETWEEN OUR TWO COUNTRIES SHOULD NOT BE ISOLATED FROM THIS BROADER COOPERATION AND THE INTERESTS WHICH UNDERLIE IT. IT IS FOR THIS REASON THAT THE UNITED STATES GOVERNMENT IS DISTURBED THAT ON THE BRITISH SIDE THERE HAS EMERGED SUCH STRONG PRESSURE FOR A NEW AGREEMENT WHICH COULD HARM CERTAIN CONSUMER INTERESTS AND WHICH WOULD RADICALLY DAMAGE CERTAIN UNITED STATES INDUSTRY INTERESTS WITH WHOSE WELFARE THE UNITED STATES GOVERNMENT HAS A STRONG CONCERN. (REFERENCES BY THE UNITED KINGDOM TO ITS ECONOMIC ANALYSIS SHOWING THAT UNITED STATES AIRLINES WOULD STILL HAVE A HIGHER SHARE OF REVENUES IN THE FUTURE ARE INAPT BECAUSE THAT ANALYSIS WAS BASED ON CERTAIN ASSUMPTIONS WHICH DO NOT FULLY REFLECT THE CONSEQUENCES OF THE UNITED KINGDOM POSITION).

IF PROGRESS IS TO BE MADE IN THE NEGOTIATION OF A NEW AIR  
TRANSPORT AGREEMENT, THE UNITED KINGDOM MUST DEVELOP A  
POSITION WHICH TAKES INTO ACCOUNT THE FOREGOING ECONOMIC  
AND POLITICAL FACTORS WHICH ARE PARAMOUNT FOR THE UNITED

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STATES. IF THIS IS NOT DONE, IT IS DIFFICULT TO SEE HOW  
PROGRESS CAN BE MADE OR HOW IT WILL BE POSSIBLE TO NEGOTIA-  
TE ANY NEW AGREEMENT BETWEEN THE TWO COUNTRIES.

THIS WAS THE PARAMOUNT REASON WHY THE UNITED STATES DECIDED  
TO POSTPONE THE NEXT ROUND OF TALKS. POSTPONEMENT WILL  
GIVE THE UNITED KINGDOM NECESSARY TIME TO REVIEW ITS POSI-  
TION IN THE LIGHT OF THE ECONOMIC AND POLITICAL FACTORS  
WHICH ARE BROADER THAN AVIATION ITSELF. THUS, POSTPONE-  
MENT, RATHER THAN MAKING IT MORE DIFFICULT TO REACH AGREE-  
MENT, WILL CONTRIBUTE TO THE POSSIBILITY OF REACHING  
AGREEMENT. FOR ITS PART, THE UNITED STATES IS USING THE  
ADDITIONAL TIME TO DEVELOP WHAT IT BELIEVES WILL BE PRO-  
DUCTIVE POSITIONS ON THE ISSU

## Message Attributes

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